

***BETHESDA HEALTH CLINIC, a component of
WORLD REACH, INC.***

FINANCIAL STATEMENTS

June 30, 2012

**BETHESDA HEALTH CLINIC, a component of
WORLD REACH, INC.**

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Younce & Co., PA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Bethesda Health Clinic, a component of World Reach, Inc.

We have audited the accompanying financial statements of Bethesda Health Clinic, a component of World Reach, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of June 30, 2012, and the related statements of support, revenue, and expenses – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

As described in Note 1, the Organization prepares its financial statements on the basis of cash receipts and disbursements except that the statements include a provision for depreciation of buildings and equipment. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Bethesda Health Clinic, a component of World Reach, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, on the basis of accounting as described in Note 1.

Younce & Co., PA

Concord, NC
September 12, 2013

BETHESDA HEALTH CLINIC, a component of WORLD REACH, INC
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS-MODIFIED CASH BASIS
June 30, 2012

ASSETS

Current Assets	
Cash	\$ 3,169
Other receivables	<u>3,000</u>
TOTAL CURRENT ASSETS	<u>6,169</u>
Property and Equipment	
Equipment	3,410
Accumulated depreciation	<u>(284)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>3,126</u>
TOTAL ASSETS	<u>\$ 9,295</u>

LIABILITIES AND NET ASSETS

Net Assets	
Unrestricted	119
Temporarily restricted	<u>9,176</u>
TOTAL NET ASSETS	<u>9,295</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,295</u>

The Accompanying Notes Are An Integral Part Of This Statement.

BETHESDA HEALTH CLINIC, a component of WORLD REACH, INC
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES-MODIFIED CASH BASIS
June 30, 2012

SUPPORT	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grants	\$ 38,909	\$ 20,000	\$ 58,909
Contributions	1,322	-	1,322
External Service Income	14,397	-	14,397
Health Education	17,735	-	17,735
Patient income	14,991	-	14,991
Contributed external service income	98,151	-	98,151
Contributed facility income	38,400	-	38,400
Other income	11,749	-	11,749
Contributed other income	3,500	-	3,500
TOTAL SUPPORT	<u>239,154</u>	<u>20,000</u>	<u>259,154</u>
EXPENSES			
Program	189,024	10,824	199,848
Management & General	37,359	-	37,359
Fundraising	18,682	-	18,682
TOTAL EXPENSES	<u>245,065</u>	<u>10,824</u>	<u>255,889</u>
Increase (decrease) in Net Assets	(5,911)	9,176	3,265
Net Assets, beginning of year	<u>6,030</u>	<u>-</u>	<u>6,030</u>
Net Assets, end of year	<u>\$ 119</u>	<u>\$ 9,176</u>	<u>\$ 9,295</u>

The Accompanying Notes Are An Integral Part Of This Statement.

BETHESDA HEALTH CLINIC, a component of WORLD REACH, INC.
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in Net Assets	\$ 3,265
Adjustments to reconcile increase (decrease) to net cash provided	
Depreciation expense	284
	<u>3,549</u>
Net Cash Provided by (Used in) Operating Activities	
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	<u>(3,410)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(3,410)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	139
 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>3,030</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 3,169</u></u>

The Accompanying Notes Are An Integral Part of This Statement.

BETHESDA HEALTH CLINIC, a component of WORLD REACH, INC
STATEMENT OF FUNCTIONAL EXPENSES-MODIFIED CASH BASIS
June 30, 2012

	Program Services	Management & General	Fundraising	Total
Salaries & wages	\$ 26,857	\$ -	\$ -	\$ 26,857
Executive director	19,688	5,625	2,813	28,126
Employee benefits & payroll taxes	3,974	-	-	3,974
Total Personnel Expenses	50,519	5,625	2,813	58,957
Advertisement & promotion	\$ 476	\$ 136	\$ 68	\$ 680
Bank charges	71	20	10	101
Building & equipment maintenance	1,570	448	224	2,242
Dues & subscriptions	523	149	75	747
Health education	4,558	-	-	4,558
Insurance	873	249	125	1,247
Contributed advertising expense	1,750	500	250	2,500
Contributed medical expense	68,706	19,630	9,815	98,151
Contributed other expense	700	200	100	1,000
Contributed rent expense	26,880	7,680	3,840	38,400
Continuing education	568	162	81	811
Medical expenses	29,091	-	-	29,091
Office supplies	802	229	115	1,146
Other expenses	885	253	126	1,264
Postage & delivery	258	74	37	369
Professional fees	1,924	550	275	2,749
Rent expense	3,640	1,040	520	5,200
Sales taxes	326	93	47	466
Sub-contracted labor	4,604	-	-	4,604
Telephone	53	15	8	76
Travel, meals & lodging	482	138	69	689
Vehicle expense	390	111	56	557
Total Expenses before Depreciation	199,649	37,302	18,654	255,605
Depreciation expense	199	57	28	284
Total Expenses	\$ 199,848	\$ 37,359	\$ 18,682	\$ 255,889

The Accompanying Notes Are An Integral Part Of This Statement.

**BETHESDA HEALTH CLINIC, a component of
WORLD REACH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Bethesda Health Clinic, a component of World Reach, Inc. (hereinafter the Clinic), was formed in 2004. The Clinic was founded to be a leader of change in the community and to improve the well being of low-income individuals by providing them with primary medical care and health education. The Clinic primarily services the Hispanic community in Mecklenburg County and receives substantial volunteer services from physicians, nurses, pharmacists, lab technicians and other individuals. The Clinic also partners with several health care organizations in Mecklenburg County to provide proper care for its patients and is funded primarily by grants.

Basis of Accounting

The Clinic uses the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred, exclusive of depreciation of property. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donation for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Clinic reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. The Clinic reclassifies temporarily restricted net assets to unrestricted at that time.

Contributed Services

Many individuals and groups donated significant amounts of time to various activities of the Organization without compensation. Services contributed in accordance with FASB ASC 958-605-25-16 have been reflected in the accompanying statement of support, revenue and expenses – modified cash basis, and represent services provided as a direct support to the operations of the Organization and care to its patients.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Shipping and Handling Costs

Shipping and handling costs are expensed as paid and totaled \$0 at June 30, 2012.

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**BETHESDA HEALTH CLINIC, a component of
WORLD REACH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

Expense Allocation

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Management believes its estimates are reasonable.

Income Tax Status

The Clinic qualifies as a tax-exempt organization, under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income tax. In addition, the Clinic has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Cash and Cash Equivalents

The Clinic considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents. The Clinic maintains cash balances in accounts that are insured by the Federal Deposit Insurance Corporation in an amount up to \$250,000. At June 30, 2012, the Clinic's uninsured bank balance is \$0.

Property and Equipment

Expenditures for maintenance, repairs and minor equipment purchases are charged to expense when paid. Asset additions with a cost or fair value, if donated, of \$1,000 or more are capitalized. Depreciation is calculated using the straight-line method over the estimated useful life of the asset. Amortization of assets capitalized under leases is included in depreciation expense. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Restricted Contributions and Year-End Fund Balances

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, operating fund as net assets released from restrictions.

**BETHESDA HEALTH CLINIC, a component of
WORLD REACH, INC.**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Advertising Costs

Advertising costs are expensed as paid and totaled \$ 3,180 at June 30, 2012, of this amount, \$2,500 was as a result of an in-kind donation.

Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations and changes in net assets in conformity with the generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 - PROPERTY AND EQUIPMENT

Composition of property and equipment is as follows:

	July 1, 2011	Additions	Retirements	June 30, 2012
Equipment	\$ -	\$ 3,410	\$ -	\$ 3,410

Fixed assets are stated at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2012 was \$284.

NOTE 3 - COMPENSATED ABSENCES

The Clinic allows its employees to carryover unused paid time off; however the value of such carryover cannot be reasonably estimated. Therefore, there is no provision for compensated absences at June 30, 2012.

NOTE 4 - CONCENTRATION OF CREDIT RISK

Approximately 83% of grant income at June 30, 2012 came from two granting agencies.

NOTE 5 - RESTRICTED NET ASSETS

Net assets are restricted for the following purpose:

Practitioner Salary	<u>\$ 9,176</u>
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**BETHESDA HEALTH CLINIC, a component of
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 – FUNCTIONAL ALLOCATION OF DISBURSEMENTS

The Clinic classifies its operating disbursements in three categories: program, management and general, and fundraising. Disbursements are allocated to these functions based on estimated time performing each function for employees' salaries and benefits and by specific identification for other disbursements.

The disbursements were classified as follows at June 30, 2012:

Program	\$	199,848
Management and general		37,359
Fundraising		<u>18,682</u>
Total	\$	<u>255,889</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

The President of the Clinic's board of directors is also the founder of the church which funds the rental expense and related utilities for the building in which the Clinic resides. Total rental expense incurred as of June 30, 2012 totaled \$43,600. Of this amount, the Clinic paid \$5,200 to the church and the church donated the remaining \$38,400.

Additionally, the church owns a store in the same community where the Clinic operates and donates a portion of its proceeds as a cash contribution to the Clinic. During the year ended June 30, 2012, the store contributed \$3,770 to the Clinic. This amount is included in other income in the accompanying statement of support, revenue, and expense – modified cash basis.

Finally, the church owed the Clinic \$3,000 as of June 30, 2012.

NOTE 8 – SUBSEQUENT EVENTS

Management has reviewed subsequent events through September 12, 2013, the date the financial statements were available to be issued.